

General Information Letter: Response to Wisconsin Department of Revenue questionnaire on Illinois income tax rate and base.

July 5, 2000

Dear:

This is in response to your letter dated June 20, 2000. Department of Revenue ("Department") regulations require that the Department issue only two types of letter rulings, Private Letter Rulings ("PLRs") and General Information Letters ("GILs"). PLRs are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. GILs do not constitute statements of agency policy that apply, interpret or prescribe the tax laws and are not binding on the Department. For your general information, the regulation governing the issuance of letter rulings, 2 Ill. Adm. Code Part 1200 regarding rulings and other information issued by the Department, can be accessed at the Department's website. That address is www.revenue.state.il.us/legalinformation/regs/part1200. The nature of your question and the information provided require that we respond only with a GIL.

In your letter you state as follows:

Prior to each biennial budget, this office prepares detailed comparative summaries of Wisconsin's individual income tax with those of other states. For each state, the analysis includes the type of filing system, the base of income subject to taxation, tax rates and brackets and the allowable exemptions, deductions and credits. In addition, other taxes that are paid at the time the state income tax form is filed are noted.

I have enclosed a summary of your state for the 1999 tax year (emphasis in original). Information in the summary was taken directly from 1999 tax forms and instruction booklets for your state. In order to ensure the accuracy of this data, I would appreciate it if your office would review this information to confirm that it is correct or note any errors or omissions.

Please be advised that this office has reviewed the information set forth in your summary and finds it to be accurate. However a comment is in order with respect to pension/retirement income, which your summary lists as "exempt". Under the Illinois Income Tax Act, a retirement plan must be federally tax-qualified as defined under Internal Revenue Code sections 402 through 408 or 457 in order for the federally-taxed portion of distributions therefrom which are included in federal adjusted gross income to be deductible for Illinois income tax purposes. Also, the summary did not include deductions for the following amounts:

a). A portion of the gain from the sale of real property that was acquired before August 1, 1969; and

b). Expenses relating to federally tax-exempt investments which were disallowed as federal deductions because the income from those investments was exempt under Internal Revenue Code sections 171(a)(2), 265 or 280C.

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For your information, the basic amount for the personal exemption increases to \$2,000.00 for commencing in taxable year 2000.

We trust that this GIL adequately responds to your inquiry. If you have any further questions regarding this GIL, you may contact this office at (217) 782-7055. If you have further questions regarding the Illinois Income Tax Act, you may access the web-site referenced above or contact the Department's Taxpayer Information Division at (217) 782-3336.

Very truly yours,

Jackson E. Donley,
Senior Counsel - Income Tax